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10 **UNITED STATES DISTRICT COURT**
11 **CENTRAL DISTRICT OF CALIFORNIA – WESTERN DIVISION**

12 DAVID HOUGH, et al.

13 Plaintiff,

14 v.

15 RYAN CARROLL, et al.,

16 Defendants.

Case No.: 2:24-cv-02886-WLH-SK
[Assigned to Hon. Wesley L. Hsu,
Courtroom 9B]

**REPLY IN SUPPORT OF CHRISTINE
HAGAR’S MOTION TO DISMISS
SECOND AMENDED COMPLAINT
[ECF NO. 265]**

Date: April 18, 2025
Time: 1:30 p.m.
Courtroom: 9B

Complaint filed: April 9, 2024
Trial: Not set

I. INTRODUCTION

Plaintiffs oppose Christine Hagar’s Motion to Dismiss by cobbling together a litany of meritless arguments in the hope they can convince this Court that the Second Amended Complaint (“SAC”) alleges sufficient facts to support their claim of aiding and abetting fraud against Ms. Hagar. But in the end, Plaintiffs’ Opposition only highlights the deficiencies in the SAC. First, unable to point to specific facts to support a plausible inference of actual knowledge, Plaintiffs instead contend that because Ms. Hagar was Wealth Assistants’ Finance Manager, she “must have known” about the fraud. Case law, however, is clear, that mere suspicions or even knowledge of fraud, without more, is insufficient to support a plausible inference of actual knowledge. Even if it were, Plaintiffs’ SAC does not allege that Ms. Hagar made a conscious decision to participate in the fraudulent scheme.

As for substantial assistance, Plaintiffs do not—and cannot—point to specific facts in the SAC that Ms. Hagar substantially participated the fraudulent scheme. Instead, Plaintiffs contend that she substantially participated in the fraudulent scheme because one allegedly fraudulent wire transfer in April 2023 contained “christine ops” in the transfer memorandum. The problem with Plaintiffs’ argument is that the SAC does not allege that Ms. Hagar worked for Wealth Assistants at the time of the transfer or that she initiated it. Nor does it allege that she made a conscious decision to knowingly initiate the allegedly fraudulent transfer.

For these reasons, and those set forth below, the Court should dismiss Ms. Hagar from this action.

II. PLAINTIFFS’ SAC IS DEVOID OF FACTS FROM WHICH THIS COURT CAN INFER ACTUAL KNOWLEDGE

Plaintiffs’ Opposition misstates the pleading standard for actual knowledge in the Ninth Circuit, wrongly suggesting that specific facts of actual knowledge are not needed as long as the general, non-specific allegation itself is plausible. (Opposition [“Opp.”], p. 7). While Rule 9(b) indicates that knowledge may be alleged generally,

1 Plaintiffs must plead facts from which this Court can draw a reasonable inference that
2 Ms. Hagar is liable for aiding and abetting fraud. See *Allstate Ins. Co. v. Countrywide*
3 *Fin. Corp.*, 824 F. Supp. 2d 1164, 1188 (C.D. Cal. 2011) (“Actual knowledge, which
4 may be pleaded generally, is still subject to the requirement that claimants state
5 ‘factual content that allows the court to draw the reasonable inference that the
6 defendant is liable for the misconduct alleged.’”); *Oestreicher v. Alienware Corp.*, 544
7 F. Supp. 2d 964, 968 (N.D. Cal. 2008), *aff’d* 322 F. App’x 489 (9th Cir. 2009)
8 (“nothing in the Federal Rules of Civil Procedure relieves a plaintiff of the obligation
9 to “set forth facts from which an inference of scienter could be drawn”). Here, the SAC
10 fails to allege any specific facts rendering the general allegation of knowledge
11 plausible. Instead, Plaintiffs rely solely on the fact that Ms. Hagar was Wealth
12 Assistants’ “Finance Manager” for some unspecified period of time and therefore,
13 “must have known” and “must have noticed [] the fraud.” (Opp., pp. 4, 6.) Plaintiffs’
14 argument lacks merit for several reasons.

15 First, in California, “liability for aiding and abetting depends on proof the
16 defendant had *actual knowledge* of the *specific primary wrong* the defendant
17 substantially assisted.” *Casey v. U.S. Bank Nat. Assn.*, 127 Cal. App. 4th 1138, 1145
18 (2005) (emphasis added); *Bradshaw v. SLM Corp.*, 652 Fed. Appx. 593, 594 (9th Cir.
19 2016) (citations omitted) (no claim for aiding and abetting stated where plaintiffs
20 failed to plead sufficient facts to permit a reasonable inference that the purported aider
21 and abettor knew of the “specific wrongful acts of fraud”); *Axonic Capital LLC v.*
22 *Gateway One Lending*, No. CV 18-5127 PSG (SSx), 2018 U.S. Dist. LEXIS 244609,
23 *52 (C.D. Cal. Dec. 18, 2018)(same). Plaintiffs’ allegations do not satisfy this
24 standard, as the SAC does not contain *any* facts demonstrating Ms. Hagar had actual
25 knowledge of any specific wrongful acts. Instead, the SAC summarily claims Ms.
26 Hagar “initiated many fraudulent transfers” and “[knew] Wealth Assistants was
27 operating the fraudulent scheme.” (SAC ¶ 264).

1 Those allegations, however, are “‘too generic to satisfy the requirements of
2 actual knowledge of a specific primary violation’ under California law.” *Bradshaw*,
3 652 Fed. Appx. at 594 (“General allegations that SLM knew that CCA engaged ‘in a
4 criminal and wrongful enterprise’ are ‘too generic to satisfy the requirements of actual
5 knowledge of a specific primary violation’ under California law, nor do conclusory
6 allegations of ‘actual knowledge’ suffice.”). Allegations that Ms. Hagar performed her
7 job duties as the Finance Manager are, likewise, insufficient to support an inference of
8 actual knowledge. The SAC does not allege that Ms. Hagar knowingly initiated
9 fraudulent transfers, knowingly sent fraudulent invoices, or knowingly concealed
10 Wealth Assistants’ assets.

11 Second, Plaintiffs’ contention that as the Finance Manager, Ms. Hagar knew or
12 should have known about the fraud is insufficient to pin actual knowledge on her.
13 Under California law, “knowledge that a tort is being committed and the failure to
14 prevent it does not constitute aiding and abetting.” *Fiol v. Doellstedt*, 50 Cal. App. 4th
15 1318, 1326 (1996). Knowledge of suspicious activity is also insufficient to allege a
16 fraud claim. See *Casey*, 127 Cal. App. 4th at 1151 (“alleged knowledge of a
17 fiduciary’s suspicious account activities — even money laundering — without more,
18 does not give rise to tort liability for the banks); *In re First Alliance Mortg. Co.*, 471
19 F.3d 977, 993 n.4 (9th Cir. 2006) (mere allegations that a defendant had a “suspicion
20 of wrongdoing” or knew of “wrongful or illegal conduct . . . d[o] not constitute
21 sufficient pleading” of actual knowledge); *Trabulsi v. Wells Fargo Bank, NA*, No. 17-
22 cv-02088, 2018 U.S. Dist. LEXIS 223698, at *3 (C.D. Cal. Nov. 16, 2018) (rejecting
23 “on notice” allegations to support knowledge element of aiding and abetting claim).
24 Thus, even assuming Ms. Hagar was suspicious of the alleged fraud or even knew
25 about it, that fact without more is insufficient to support a plausible inference that Ms.
26 Hagar had actual knowledge of any of specific wrongful acts.

27 Finally, “knowledge alone—even specific knowledge—is not enough to state a
28 claim for aiding and abetting.” *George v. eBay, Inc.*, 71 Cal.App.5th 620, 641 (2021).

1 Rather, under California law, aiding and abetting liability requires a defendant to have
2 made “a conscious decision to participate in tortious activity for the purpose of
3 assisting another in performing a wrongful act.” *American Master Lease LLC v. Idanta*
4 *Partners, Ltd.* (2014) 225 Cal.App.4th 1451, 1476 (2014); *IIG Wireless, Inc. v. Yi*, 22
5 Cal. App. 5th 630, 654 (2018) (“[W]hile aiding and abetting may not require a
6 defendant to agree to join the wrongful conduct, it necessarily requires a defendant to
7 reach a conscious decision to participate in tortious activity for the purpose of assisting
8 another in performing a wrongful act.”); *Gerard v. Ross*, 204 Cal.App.3d 968, 983
9 (1988) (an alleged aider and abettor must have “acted with the intent of facilitating the
10 commission of that tort”). Here, the SAC does not allege that Ms. Hagar made a
11 conscious decision to participate in the allegedly fraudulent scheme, and her position
12 as Wealth Assistants’ Finance Manager is insufficient to draw a reasonable inference
13 that she knowingly made a conscious decision to participate in the commission of the
14 scheme.

15 For these reasons, Plaintiffs’ aiding and abetting claim as to Ms. Hagar should
16 be dismissed.

17 **III. PLAINTIFFS’ SAC CONTAINS NO FACTS ALLEGING MS.**
18 **HAGAR SUBSTANTIALLY PARTICIPATED IN THE FRAUD**

19 Plaintiffs do not dispute—and thereby, concede—that the element of substantial
20 assistance must be plead with specificity and that allegations on information and belief
21 are insufficient. Nor do they dispute that the allegations about Ms. Hagar as pled do
22 not show the “who, what, where, when or how” of Ms. Hagar substantially assisted in
23 the commission of the fraudulent scheme, as required by Rule 9(a). Unable to point to
24 specific facts in the SAC, Plaintiffs instead make two meritless arguments.

25 First, Plaintiffs attempt to deflect attention away from the fact that the SAC
26 pleads zero facts of Ms. Hagar’s significant participation by claiming that the element
27 of substantial assistance is not crucial, as long as actual knowledge is alleged. Not so.
28

1 Case law is clear that actual knowledge and substantial assistance are separate and
2 distinct elements. *Casey*, 127 Cal.App.4th at 1145.

3 Plaintiffs' reliance on *Casey* to suggest otherwise is unavailing. Contrary to
4 what Plaintiffs suggest, *Casey* does not hold, or even state in dicta, that the element of
5 substantial assistance is somehow less important than actual knowledge. Rather, in
6 discussing the element of substantial assistance, *Casey* stated that "ordinary business
7 transactions" can satisfy the element if the defendant had actual knowledge the
8 transactions were in furtherance of fraud. *Casey*, 127 Cal.App.4th at 1145. If anything,
9 *Casey* provides further support for Ms. Hagar's motion to dismiss because as set forth
10 above, the SAC is devoid of any facts showing that Ms. Hagar performed certain tasks
11 as Wealth Assistants' Finance Manager with actual knowledge that those tasks were in
12 furtherance of the fraudulent scheme.

13 Second, Plaintiffs contend that the SAC contains specific facts of Ms. Hagar's
14 significant participation because it alleges that a fraudulent wire transfer in April 2023
15 contained "christine ops" in the transfer memorandum. (Opp., p. 10.). The problem
16 with Plaintiffs' argument is that the SAC does not contain this allegation. Indeed,
17 nowhere in the SAC do Plaintiffs allege that Ms. Hagar was employed by Wealth
18 Assistants at the time of the April 2023 transfer or that she was involved in it. Nor do
19 they allege that she knew the transfer was fraudulent or that she made a conscious
20 decision to participate in the transfer, knowing it was fraudulent. As such, the Court
21 should disregard this argument in its entirety.

22 In short, Plaintiffs' complaint fails to allege a single fact demonstrating Ms.
23 Hagar's "*significant and active*, as well as a knowing participation in the wrong."
24 *Impac Funding Corp. v. Endresen*, No. SACV 15-588-JLS (JCGx), 2015 U.S. Dist.
25 LEXIS 200540, *6 (C.D. Cal. Dec. 16, 2015) (internal quotations and citations
26 omitted). The fact that Ms. Hagar was employed by Wealth Assistants as its Finance
27 Manager and carried out certain job duties is not enough to plead aiding and abetting
28 fraud. As such, Plaintiffs' aid and abetting claim as to Ms. Hagar fails.

